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HOME OWNERSHIP LOANS



FARMERS HOME
ADMINISTRATION

A RURAL CREDIT
AGENCY OF THE

U.S. DEPARTMENT
OF AGRICULTURE

PROGRAM AID 977

The Farmers Home Administration (FmHA) provides loans in rural areas to finance homes and building sites. Rural areas include open country and places with population of 10,000 or less that are rural in character and not closely associated with urban areas. Loans may be made in towns with populations between 10,000 and 20,000 that are outside of standard metropolitan statistical areas if the Secretary of Agriculture and the Secretary of Housing and Urban Development find there is a serious lack of mortgage credit.

Applications from eligible veterans are given preference. Veterans and nonveterans must meet the same requirements.

Each person who applies gets equal consideration without regard to race, color, creed, sex, marital status, or national origin.

How May Loan Funds Be Used?

Home ownership loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities, and to provide adequate water and waste disposal systems.

Homes may be built on individual tracts or in subdivisions. Funds may also be used to modernize homes—add bathrooms, central heating, modern kitchens, and other improvements such as driveways and foundation plantings.

Borrowers may buy an existing house and lot or buy a site on which to build a home. Under certain conditions, funds may be used to refinance debts on a home.

Who May Borrow?

Home ownership loans are offered to help families with low and moderate income. These families must:

1. *Be without decent, safe and sanitary housing.*
2. *Be unable to obtain a loan from private lenders on terms and conditions that they can reasonably be expected to meet.*

3. *Have sufficient income to pay house payments, insurance premiums and taxes and maintenance, other debts and necessary living expenses. Persons with inadequate repayment ability may obtain co-signers for the loan.*
4. *Possess the character, ability, and experience to meet loan obligations.*

Under some conditions, holders of long-term leases on farms or building sites may be eligible.

What Are the Terms?

Loans may be made for up to 100 percent of the FmHA appraised value of the site and the new home if construction inspections were made by FmHA, Veterans Administration, or Department of Housing and Urban Development. Homes over one year old and improvements to them also may be financed with 100 percent loans. The maximum repayment period is 33 years.

Is the Borrower Expected to Refinance the Loan?

Farmers Home Administration (FmHA) loans make it possible for families of low and moderate income to become owners of adequate homes. When the financial position of the family improves so that the loan can be refinanced through a commercial lender, the loan contract provides that this shall be done.

Who Determines Applicant Eligibility?

The Farmers Home Administration county supervisor usually determines the eligibility of applicants.

What About Size and Design of Homes?

Homes will be modest in size and cost but

adequate to meet family needs. New homes average about 1,100 square feet of living area. Cost varies in different areas of the country.

Who Furnishes Building Plans?

Applicants or builders are expected to supply detailed building plans, specifications, and cost estimates. These may be obtained from any reliable source. The Farmers Home Administration has a limited number of plans available.

Where May Houses Be Located?

Houses will be located on desirable sites with an assured supply of safe drinking water and suitable arrangements for sewage disposal. In subdivisions, the houses will be sited in an attractive manner to avoid straight line monotony and to accent and preserve the natural advantages of topography, trees, and shrubbery. The streets, water, and waste disposal systems shall meet FmHA requirements. Funds may be included in the loan to finance lawn seeding and landscaping measures that beautify the home and make it an attractive addition to the community.

Are Plans Reviewed and Is Construction Inspected?

Yes. The Farmers Home Administration reviews the plans and inspects the construction as it progresses.

When Can Construction Start?

When a borrower obtains a loan to build or improve his home, he must wait until the loan is closed before starting construction or incurring debts for material or labor.

What Security Is Required?

Each loan will be adequately secured to protect the Government's interest.

A loan of more than \$2,500, and any loan to be repaid in more than 10 years, will be secured by a mortgage on the building site or the farm and on other property as necessary to secure the loan.

Under certain conditions, small loans may be secured by a mortgage on real estate or other suitable security.

A loan of not more than \$2,500 scheduled for repayment within 10 years may be secured under certain conditions by a promissory note.

Are There Loan Fees and Other Charges?

The applicant pays for the legal services necessary to guarantee that he has a satisfactory title to the site, for credit reports, and other incidental loan closing costs. These expenses may be included in the loan.

Where Does One Apply?

Make application at the Farmers Home Administration county office serving the area in which the house or farm service buildings will be located.

Anyone unable to locate the local office may write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

How Do Home Ownership Loans Aid in Rural Development?

Home ownership loans are made in keeping with the Government's goal to provide decent homes in suitable environments for American families. Rural housing loans help create the kind of communities that encourage people to live in rural areas. They help check the flow of rural people to urban areas and encourage urban families to live in the countryside.

The program raises living standards, creates a healthy environment for family life, and make rural communities attractive locations for the development and expansion of industries.

Home ownership loans stimulate economic activity in rural communities by increasing sales of building materials and home furnishings and providing jobs for construction workers.

Is There Other Housing Credit?

The Farmers Home Administration also offers:

1. *Loans to build rental or cooperatively owned housing for the elderly and low- and moderate-income families.*
2. *Building site loans to local nonprofit organizations to buy, develop, and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance.*
3. *Self-help housing loans to groups of low-income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.*
4. *Loans to owner-occupants with low or moderate income to make minor repairs or home improvements.*

What Other Loans Does Farmers Home Administration Make?

The agency makes loans for buying, developing, and operating family farms, water development and soil conservation, rural water and waste disposal systems, developing small watershed projects, farm credit to reimburse for loss from natural disaster, and for development of rural business and industry.



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